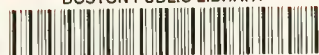


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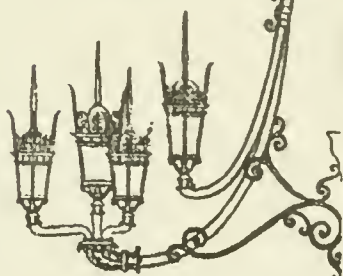
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OFFICE SPACE MARKET ANALYSIS
GOVERNMENT CENTER
BOSTON, MASS.

PREPARED FOR
I.M. PEI AND ASSOCIATES
385 MADISON AVENUE
NEW YORK CITY, N.Y.
JUNE 1961

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REAL ESTATE RESEARCH CORPORATION

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APPRAISERS
CONSULTANTS

73 WEST MONROE STREET

CENTRAL 6-3525

Chicago 3

MARKET ANALYSTS

PLANNING ECONOMISTS

LOCATION AND INVESTMENT SPECIALISTS

PUBLISHERS OF THE NATIONAL MARKET LETTER

1120 CONNECTICUT AVENUE, N. W.

WASHINGTON 6, D. C.

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Mr. I. M. Pei
I. M. Pei & Associates
385 Madison Avenue
New York City, New York

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August 4, 1961

Dear Mr. Pei:

In compliance with our contract we have prepared a study of the marketability of office space in that part of Downtown Boston in the area between Merrimac Street and State Street and between The Central Artery and Stanford Street which is to be redeveloped as the Government Center Project, which is transmitted to you herewith. Our conclusions and the analyses whereby these were reached are included in this report. Estimates of re-use values are separately bound and will be transmitted to you in the next few days.

In the course of our work on this assignment we had occasion to solicit the assistance of the Boston Redevelopment Authority and numerous private firms, business associations and citizens. In almost every instance we received complete co-operation and were impressed with the intense interest in the Government Center project which prevails among downtown Boston business people.

We are most appreciative of the courtesies extended to us and look forward to further opportunities to serve you.

Respectfully submitted,

REAL ESTATE RESEARCH CORPORATION

Richard Lawrence Nelson
Richard Lawrence Nelson, M.A.I., *per CFS*
President

Carroll F. Sweet Jr.

Carroll F. Sweet, Jr.
Senior Analyst

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Office Space Market Analysis - Government Center - Boston, Massachusetts

I. NATURE OF ASSIGNMENT

Our assignment in this instance has been to prepare and present an analysis of the absorption potential in the period 1961-1970 of the market for new office space in the downtown area of Boston, and specifically the amount of such new space that could be marketed in the redevelopment area known as the Government Center.

Office Space Market Analysis - Government Center - Boston, Massachusetts

II. SUMMARY OF CONCLUSIONS

A. Definitions

"Square feet" and "working space," as referred to in the following report, mean net square-foot area usable in a building for office operations, excluding area in halls, lavatories, lobby, shafts, and other spaces necessary to operate the building.

"Net rentable area" refers to all that area of a building which is actually rented or held for rent to tenants. This differs from "working space" in excluding owner-occupied space in generally "single-purpose" buildings.

"Owner-occupied area" refers to office space used by the owner or prime tenant of a building pursuant to his own business affairs.

A "single-purpose" building is one that is owner-occupied or, if owned by other than the occupant, is primarily occupied by a single tenant on a long-term basis effectively removing it from the normal commercial market.

B. General

Our studies of the economic characteristics of the office space market in Downtown Boston point to the following conclusions:

1. The inventory of office space in Downtown Boston is generally obsolete, and modern buildings are needed to attract new tenancy and to hold present tenants in the downtown area.
2. Except for two owner-occupied buildings in which comparatively small amounts of space are available to the market, no additions were made to the inventory between 1930 and 1957.
3. New additions to the inventory were not economically feasible until the legislature approved a modified tax formula which assured the investor a moderate but fair return. Since then, seven new buildings, totaling about 750,000 square feet of working space, have been built, although 413,000 square feet, approximately 55 per cent of this added inventory, are in

Office Space Market Analysis - Government Center - Boston, Massachusetts

single-purpose space. The balance is added to the commercial inventory, though part of it is in single-purpose buildings and is actually a reserve for the expansion of the single-purpose space users.

4. At present there is a strong market for new office space in Downtown Boston. However, tenants for such new space will come largely from existing space as there is very little in-migration of space users. In fact, out-migration to suburban locations, while not yet of serious proportion, exceeds in-migration.
5. The vacancy rate in Boston's better buildings, classified as "A, " "B, " and "C, " is estimated at five to six per cent. Vacancy in Class "D" or lower space may be as high as ten to twelve per cent. It is estimated that approximately 300,000 square feet are presently vacant in Class "A, " "B, " and "C" buildings.
6. Comparison of the vacancy increase in the past two years with the additions to the inventory indicates an annual absorption rate in Downtown Boston of 160,000 square feet a year. However, this is deduced from the market reaction to virtually the first new buildings in 30 years, and is assumed to be unusually high. An absorption potential, based largely on expansion of present tenants' requirements, is estimated to be 100,000 to 125,000 square feet a year. This does not mean that the entire absorptive potential could be attracted to one specific location.
7. The following significant additions to the inventory are proposed:

535 Boylston	63,800 square feet
Prudential Center	1,000,000 square feet
New government buildings	<u>1,350,000 square feet</u>
Total	2,413,800 square feet

Office Space Market Analysis - Government Center - Boston, Massachusetts

It is understood that Prudential Center will absorb 400,000 square feet, principally through activities being transferred to Boston from outside the area, and that the branches of the government will vacate only about 1,200,000 square feet in consolidating (less than half of this space is of a quality considered to be competitive in the market for new space). It is also estimated that a net of at least 200,000 additional square feet of space will come on the market in the next two or three years due to new construction, remodeling, additions, move-outs, or some other cause. The effective additions to the inventory will then be:

535 Boylston	63,800 square feet
Prudential Center	600,000 square feet
Vacated by government*	400,000 square feet
Miscellaneous additions	<u>200,000 square feet</u>
Total	1,263,800 square feet

* From better buildings

8. It is estimated that there presently exists in the central area of Boston approximately 16 million square feet of office space, exclusive of office space associated with the administration of businesses in buildings that are primarily in trade, manufacturing, service, or other categories. Our investigations indicate that these 16 million square feet are divided approximately as follows:

In Class "A," "B," and "C"	
office buildings	5,300,000
In single-purpose buildings	3,700,000
In Class "D" or inferior buildings*	<u>7,000,000</u>
Total square feet	16,000,000

* A very large portion of this space is more than 50 years old, very obsolete, and appeals to special portions of the market largely due to price or some special advantage.

Office Space Market Analysis - Government Center - Boston, Massachusetts

9. There are three primary sources of new tenants in Government Center:
- a. Occupants of space scheduled for demolition.
 - b. Tenants in other downtown buildings whose space requirements cannot be met at their present location.
 - c. Tenants in other downtown buildings who have both the desire and means to up-grade their space. This occurs usually at lease terminations.
 - d. In-migrant office space users.

It is estimated that the demand for Class "A, " "B, " or "C" space by above-listed space users will be approximately as follows:

	<u>Square Feet</u>
Replacement of space demolished (one time)	170,000
Space needed for expansion (annual)	125,000
Space required to up-grade existing space (annual)	150,000

10. In view of the fact that tenants in existing buildings to be demolished for Government Center redevelopment have already oriented their business affairs to the neighborhood, a very large proportion, perhaps 80 per cent of these tenants now occupying \$4.00 and above space, should be capturable by new buildings in the neighborhood, provided that such new buildings are ready for them to move directly into. If such tenants have to move into interim quarters temporarily, at least half of them will be lost. This market will consist largely of attorneys who have occupied the majority of space in this area due to its proximity to courts, public buildings, banks, etc.

Office Space Market Analysis - Government Center - Boston, Massachusetts

11. Space users seeking more room for expansion will be attracted to wherever they can find a consolidation of vacant space of similar or better quality than presently occupied and adequate to meet their requirements, including:
 - a. Older buildings with blocks of vacant space.
 - b. Suburban buildings or locations.
 - c. New buildings.

It is felt that Government Center buildings can capture 40 per cent of the total downtown demand for such space or approximately 50,000 square feet a year.

12. Existing space users seeking to upgrade their office housing will be strongly attracted to new office buildings in the Boston area. Since the older buildings are so much older that the manifold attractions of new space are most evident, local satisfaction with obsolete space will diminish. Inasmuch as the Government Center will constitute much the largest assemblage of new space available, it is anticipated that at least 50 per cent of tenants who will move to upgrade their office housing will come to the Government Center. This is expected to absorb about 75,000 square feet a year.
13. It is estimated that the first office space in the Government Center to be made available for new occupancy will be in 1963. It has been our experience that, whereas demand for a commodity (in this case office space) will accumulate to some extent, it will not be fully developed unless it is satisfied by an adequate supply. We are aware of the impact that the Prudential Center and other proposed new buildings may have on this demand, but we are of the opinion that there are many space users who would prefer to be in the neighborhood of the Government Center rather than in other locations and, hearing that Government Center buildings will soon be available, they will wait for such space

Office Space Market Analysis - Government Center - Boston, Massachusetts

to be completed. Thus we believe that there will be an initial demand for space in Government Center, amounting to approximately 436,000 square feet (300,000 representing a backlog of expansion need and desire to upgrade, and 136,000 representing tenants from buildings scheduled for demolition).

14. The foregoing estimates in tabular form appear as follows:

	<u>Square Feet</u>
1963--Backlog of Demand (due to expansion and upgrading)	300,000
Replacement of demolished space	<u>136,000*</u>
Total Demand -- 1963	436,000
1963-1967 -- Five Year Expansion Demand Capturable	250,000
1963-1967 -- Five Year Upgrading Demand Capturable	<u>375,000</u>
Office space marketable in Government Center in 1963-1967	1,061,000

*Note: 80% of displaced tenants
(170,000 sq. ft.) recaptured.

The foregoing estimate of space absorption is based on the assumption that new space in the Government Center will be offered at rentals of \$5.50 to \$6.50 a square foot per year.

15. An office building of 500,000 square feet will house an estimated 3,000 workers. Government buildings totaling 1,600,000 square feet can be expected to house another 10,500. The ultimate working population of the Government Center should be well in excess of 20,000 persons. This number creates both a demand and a need for service facilities normally found on or near the ground floor of buildings, such as barber and beauty shops, restaurants, drug stores, and news and tobacco stands. This implies

Office Space Market Analysis - Government Center - Boston, Massachusetts

no major retail installation in conflict with the area retail center on Washington Street, but only involves convenience goods and services to serve the building tenants, employees, their visitors, and the workers in nearby buildings. In this connection it should be noted that of the 65 existing buildings classified "A, " "B, " and "C, " the categories of ground-floor tenancy may be summarized as follows:

<u>Category of Use</u>	<u>Number of Buildings</u>	<u>Frequency of Occurrence</u> %
Banks	21	27.3
Retail Stores	20	26.0
Sales, Distribution, and Service	12	15.6
Insurance Firms	7	9.1
Restaurants	6	7.8
Stock Brokers	6	7.8
Theatres	2	2.6
Government	1	1.3
None	<u>2</u>	<u>2.6</u>
	77*	100.0

*Exceeds 65 (number of buildings) due to multiple tenancies on ground floors of some buildings.
Minor uses not included.

16. It is our understanding that the plan for the Government Center area contemplates some 200,000 square feet plus more net general office space than the indicated market as discovered herein. Our determination of office space market, however, has resulted from projections of need and desire on the basis of businesses and firms now existent in the Boston area or which would normally become existent during the marketing period. In point of fact, however, it has frequently been the case that a dramatic new development of this character has attracted "outsiders" who might normally have established regional offices in another community instead. We therefore believe it not imprudent to plan for somewhat more general office space (of the dimension indicated above) on the possibility that the development will have this kind of dynamic effect on the economy as a whole.

Office Space Market Analysis - Government Center - Boston, Massachusetts

III. BASES OF DEDUCTION

Real Estate Research Corporation has reached the conclusions previously detailed on the bases of research programs of the following general categories:

A. Library Data

The broad program of research carried on for more than 30 years by Real Estate Research Corporation in the field of real estate, including locational analyses, housing market analyses, population movement studies, shopping habit surveys, and analyses of transportation patterns, new area growth, and a variety of other social and economic trends with relation to the real estate market, has provided a wealth of recorded data which have been drawn upon liberally in connection with this study. At the Corporation's main office in Chicago and in affiliated offices in Washington, D. C.; St. Paul, Minnesota; and Los Angeles and San Francisco, California, there are maintained libraries containing all governmental and quasi-governmental data on population, purchasing power, personal consumption, consumer trends, and dwelling unit construction. In addition, statistics have been compiled concerning ethnic composition, land use, property values, construction costs, and similar subjects relating to the field of real estate.

B. Local Resource Data

Our field investigations were considerably aided by maps, statistics, and other factual data provided by our client, by the Boston Redevelopment Authority, and by both public officials and private citizens interested in the redevelopment of Downtown Boston. We are appreciative of their courtesy in rendering this assistance.

C. Original Research

During the course of our work on this assignment, executives and staff members of Real Estate Research Corporation spent a number of days in the Boston area. Their work in the field was directed towards securing a complex of data concerning the economics and development potential of the Boston Downtown area. Data were

Office Space Market Analysis - Government Center - Boston, Massachusetts

collected regarding income, employment, office space, taxation, population characteristics, public transportation, traffic patterns, and related material. Officials and executives of public, quasi-public, and private concerns were interviewed to obtain specific data relating to the proposals. The records and files of several of these organizations were sampled and examined to obtain statistical data and trends to weigh in our conclusions.

A total of over 100 office buildings were inspected and evaluated as a basis for our analysis of the market for office facilities in the Boston area. As the result a list was compiled of 65 buildings in Downtown Boston. Due to the quality of the space offered commercial tenants and the range of rates involved, these buildings are considered to constitute virtually the entire existing supply of office space having any appeal to that segment of the market which would be attracted to new buildings in the Government Center.

Office Space Market Analysis - Government Center - Boston, Massachusetts

IV. ECONOMIC BACKGROUND

A. General

Boston, as all American school children know, was founded in 1630. Boston Harbor was a center where the commerce and industry of the United States originated. By 1645 Boston ships were plying the sea lanes of the world and were docking in London with goods from the Massachusetts colony. Shipbuilding, fishing, trade, and manufacturing industries quickly developed in the Boston area and made this town our first real city.

Boston was the scene of many incidents historically significant in the development and creation of our country. It was the home of many patriots who spent their talents and in many cases their lives to create a new nation with a new political philosophy in a raw new land.

The Downtown area of Boston with which this study is concerned is replete with landmarks of the city's historic past, some of which are inside the Government Center project area itself; others are located in the near neighborhood. Among these are the following:

1. Park Street Church
2. Old Granary Burying Ground
3. King's Chapel
4. Site of First Public School
5. Old South Meeting House
6. Old State House
7. Site of the Boston Massacre
8. Faneuil Hall
9. Paul Revere's House
10. Old North Church

B. Freedom Trail

Fifteen historical sites and attractions, including those listed above, have been linked together on a marked route, approximately 2.3 miles long, known as the Freedom Trail, which begins and ends at the Park Street Church, corner of Park and Tremont Streets, and which crosses the Government Center area on both outgoing and returning legs of its course.

Office Space Market Analysis - Government Center - Boston, Massachusetts

C. Industry and Employment

Industrially, the outstanding characteristic of the Boston area is diversity. Virtually every kind of economic activity is represented. The city is primarily a center of trade, service, transportation and government with manufacturing occupying a secondary role in the economy. Of the 808,914 non-agricultural wage and salaried workers employed in the Boston area in November, 1957, only 36.6 per cent were engaged in manufacturing, a ratio which, except for wartime, has remained reasonably constant over the years.

About 30 per cent of the labor force, approximately 239,000, are employed in wholesale and retail trade. Merchandising and distributive concerns employ three-fourths as many workers as the entire manufacturing total. The number of employees in trade industries also has remained reasonably constant.

The service industries in Boston are growing rapidly, reflecting the continued growth of research organizations, clinics, laboratories, and hospitals in one of the nation's foremost research and development centers, as well as staff expansion at six important universities, fifteen professional schools, seven women's colleges, three men's colleges, six co-educational colleges, six theological schools, and nine junior colleges.

The number of transportation and utility workers has increased significantly since 1950.

Boston with its fine facilities at Logan International Airport and the world-famous Boston Harbor is a major terminus for foreign and domestic transportation by air, rail, and sea. However, it should be noted that at present the port facilities are operating far below capacity. It is understood that the differential in rail freight rates as between Boston and New York and other points west places Boston in an adverse position to compete for shipping destined for locations outside the Boston region.

Banking and insurance is very significant in Boston. The area is not only the leading financial center of New England but one of the leading centers in the United States and the home offices of several

Office Space Market Analysis - Government Center - Boston, Massachusetts

major insurance companies are located in Boston. Employment in these industries has increased greatly since 1950.

Boston is the capital of the Commonwealth of Massachusetts and the headquarters for the New England region of the Federal Government. Consequently, work forces in this category of industry constitute a most important segment of employment. Well over 100,000 people are employed in government offices in Boston.

D. Downtown Boston

Despite the movement of some firms to suburban areas, Downtown Boston remains the focus of economic activity for the area and there is no indication that this will change appreciably in the foreseeable future. In general the firms that have moved away from Downtown Boston are firms without close identities with other downtown establishments or locations, and it appears that the unavailability of modern office space, or the reduction of travel time either from homes to office or between the office and other offices or locations visited pursuant to business affairs, or both, were involved in the decisions to move.

Studies of the Greater Boston Economic Study Committee indicate that while employment in the metropolitan area (1947-1957) increased by 68,364 jobs (9.2 per cent), employment in the downtown area declined by 13,804 jobs (7.2 per cent).

More specifically, the total employment in manufacturing, wholesaling, retailing, and primary production in Downtown Boston, diminished by about 22,400 jobs, while about 5,100 jobs were added in finance, insurance, and real estate industries; about 2,700 were added in business and personal services; and about 1,000 were added in transportation and utilities.

Office Space Market Analysis - Government Center - Boston, Massachusetts

EMPLOYMENT IN OFFICE ACTIVITIES: 1947 - 1957

DOWNTOWN BOSTON

<u>Type of Activity</u>	<u>1947</u>	<u>1957</u>	<u>Change</u>
Insurance Carriers	17,640	20,339	+ 2,699 (15.3%)
Utilities	11,134	12,191	+ 1,057 (9.5%)
Banking	6,574	7,506	+ 932 (14.2%)
Real Estate Owners, Operators, Managers and Speculative Builders	4,390	4,010	- 380 (8.7%)
Insurance Agents, Brokers, and Services	3,305	4,479	+ 1,174 (35.5%)
Security Dealers and Brokers	2,656	3,007	+ 351 (13.2%)
Law	2,161	2,459	+ 298 (13.8%)
Architecture and Engineering	2,157	4,220	+ 2,063 (95.6%)
Credit Agency and Investment Trusts	<u>1,858</u>	<u>2,205</u>	<u>+ 347 (18.8%)</u>
Total	51,875	60,416	+ 8,541 (16.5%)

BOSTON METROPOLITAN AREA

<u>Employment In</u>	<u>1947</u>	<u>1957</u>	<u>Change</u>
Downtown Boston	51,875	60,416	+ 8,541 (16.5%)
Balance of Boston City	14,479	24,763	+ 10,284 (71.0%)
Balance of Standard Metropolitan Area	<u>22,018</u>	<u>25,403</u>	<u>+ 3,385 (15.4%)</u>
Total - Boston Metropolitan Area	88,372	110,582	+ 22,210 (25.1%)

Source: Greater Boston Economic Study Committee

Office Space Market Analysis - Government Center - Boston, Massachusetts

EMPLOYMENT IN THE BOSTON METROPOLITAN AREA

	<u>1947</u>	<u>1957</u>	<u>Change</u>
<u>Boston Metropolitan Area</u>	740,550	808,914	+ 68,364
Primary Production	44,927	52,890	+ 7,963
Manufacturing	281,944	296,308	+ 14,364
Transportation, Communications, and Public Utilities	56,366	53,904	+ 7,538
Wholesaling	68,553	74,951	+ 6,398
Retailing	158,292	163,693	+ 5,401
Finance, Insurance, and Real Estate	55,025	68,089	+ 13,064
Business and Personal Services	74,891	88,775	+ 13,884
Not Otherwise Classified	552	304	- 248
<u>City of Boston</u>	404,686	389,351	- 15,335
Primary Production	22,395	20,269	- 2,126
Manufacturing	111,333	90,905	- 20,428
Transportation, Communications, and Public Utilities	35,377	40,380	+ 5,003
Wholesaling	51,529	50,614	- 915
Retailing	91,877	80,306	- 11,571
Finance, Insurance, and Real Estate	44,842	54,323	+ 9,481
Business and Personal Services	46,948	52,354	- 5,406
Not Otherwise Classified	385	218	- 167

Office Space Market Analysis - Government Center - Boston, Massachusetts

EMPLOYMENT IN THE BOSTON METROPOLITAN AREA - (Continued)

	<u>1947</u>	<u>1957</u>	<u>Change</u>
<u>Downtown Boston</u>	190,448	176,644	- 13,804
Primary Production	10,194	6,836	- 3,358
Manufacturing	35,589	26,540	- 9,049
Transportation, Communications, and Public Utilities	17,468	18,508	+ 1,040
Wholesaling	26,029	21,064	- 4,965
Retailing	40,832	35,766	- 5,066
Finance, Insurance and Real Estate	36,505	41,163	+ 5,108
Business and Personal Services	23,471	26,166	+ 2,695
Not Otherwise Classified	360	151	- 209

Source: Greater Boston Economic Study Committee

Office Space Market Analysis - Government Center - Boston, Massachusetts

E. Population

Following are resident population counts and estimated projections for the City of Boston, the Boston Standard Metropolitan Area, the Commonwealth of Massachusetts and the United States for 1940 - 1990.

	<u>United States</u>	<u>Massachusetts</u>	<u>Boston S.M.A.</u>	<u>Boston City</u>
1940	131,669,275x	4,316,721	2,177,621	770,816
1950	150,697,361x	4,690,514	2,369,986	801,444
Pct. Gain	14.5%	8.7%	8.8%	3.8%
1960	179,323,175	5,148,578	2,418,939	697,197
Gain-Loss	+19.0%	+9.8%	+5.3%	-13.0%
1970	L 202,541,000 H 219,474,000 12.9% 22.4%	5,600,000xxx 8.8%	2,617,500xx 4.9%	650,000xxx
1980	L 230,834,000 H 272,557,000 14.0% 24.2%	6,000,000xxx 7.1%	2,740,000xxx 4.7%	L 600,000 H 650,000xox 7.7% -0-
1990	N.A.	6,400,000xxx 6.6%	2,863,000xxx 4.5%	L 600,000 H 725,000xoo -0- +11.5%

Source: U.S. Department of Commerce, Census Bureau, except as indicated.

- x Alaska and Hawaii not included.
- xx Massachusetts Chamber of Commerce estimate.
- xxx Real Estate Research Corporation estimate.
- xox Boston Redevelopment Authority estimates.
- xoo Interpolation of BRA estimates.

Office Space Market Analysis - Government Center - Boston, Massachusetts

V. THE GOVERNMENT CENTER AREA

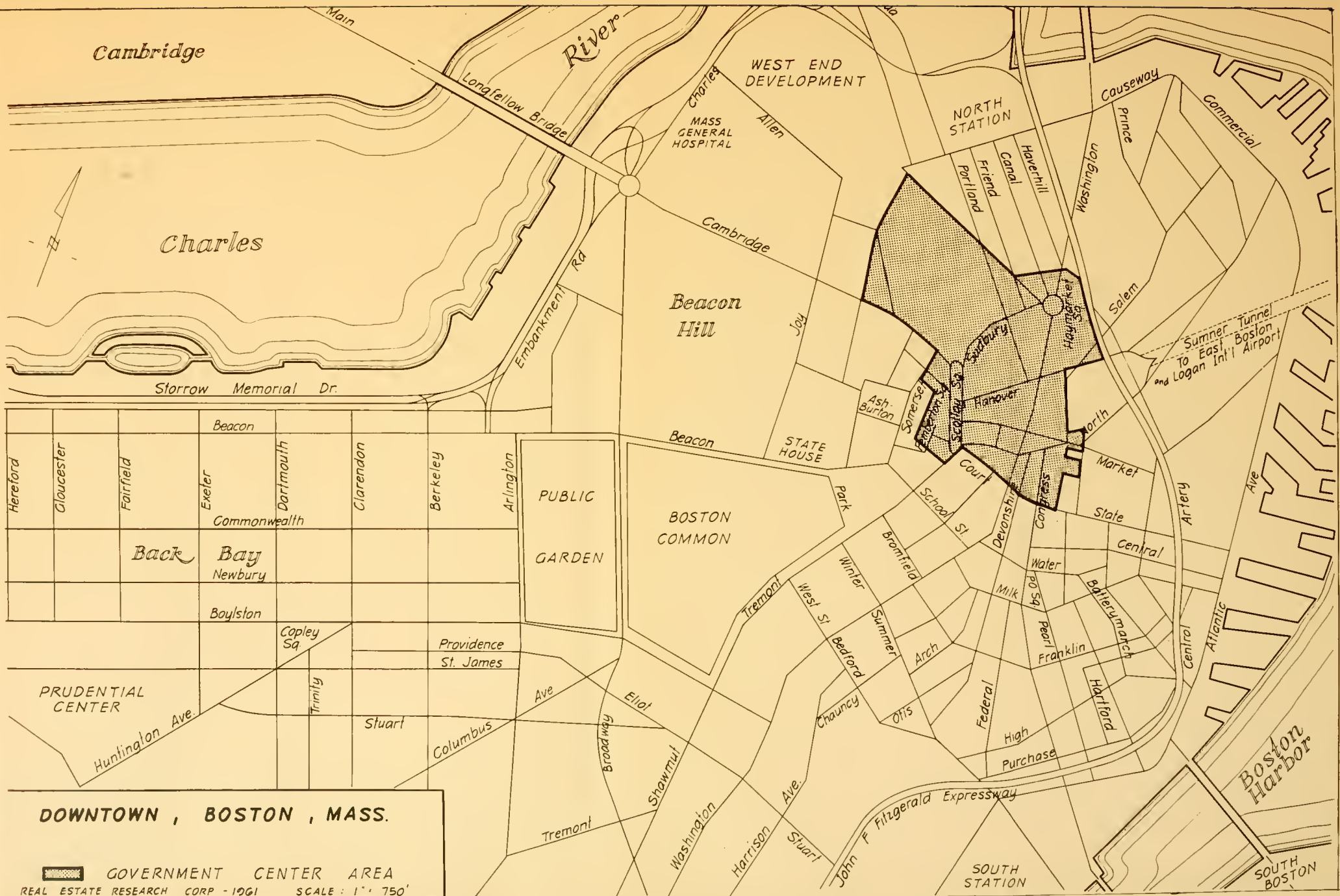
The Government Center is an area bounded roughly by Court and State Streets on the south, Merrimac Street on the north, Bowdoin and Somerset Streets on the west, and the Central Artery on the east. It is proposed that within this area substantial clearance be undertaken for the purpose of removing obsolete structures and the blighting influences in the Scollay Square, Dock Square, and Haymarket Square areas.

This is the old center of Boston, replete with historic sites and well served by the subway network, the John F. Fitzgerald Expressway, known as the Central Artery, and Sumner and Callahan Tunnels to East Boston and Logan International Airport. North Station is just outside the area to the north, and South Station is only a few blocks distant to the south.

Although the business center of the city has been gradually creeping southward under the influence of commercial development in Back Bay, still it is strongly anchored by the State House and other government buildings, the financial district, and the office building complex in that area. The result is that neighborhoods to the north of these anchors have deteriorated badly and are characterized particularly by low-return occupancy and vacancies.

It is believed that the exceptional locational advantages of this site would be well suited to a new City Hall, a new Federal Office Building, and a new State Office Building complex. The site would be close to existing government offices, to the State House, and to the existing financial center and office building complex. It would be convenient for visitors arriving by automobile over the Central Artery, by plane at Logan Airport, or by train at North or South Station. It would be convenient also to employees or visitors using the M.T.A. Subway System from any part of the metropolitan area.

It is estimated that the new City Hall will require at least 350,000 square feet of office floor area. The Federal Office Building is planned to provide at least 630,000 square feet of office area. The State Office Buildings will have at least 660,000 square feet of office floor area. The State buildings will include the Department of Employment Security, the Health, Education and Welfare building, and the Mental Health building. There will also be provision for new city police and fire department facilities.



DOWNTOWN , BOSTON , MASS.

 **GOVERNMENT CENTER AREA**
REAL ESTATE RESEARCH CORP - 1961 SCALE : 1" = 750'

Office Space Market Analysis - Government Center - Boston, Massachusetts

VI. OFFICE SPACE SUPPLY

One of the primary concerns of the prospective tenant in selecting new office space is whether or not the building is located in such a way as to enhance his business interests, including its convenience in regard to other offices with which such tenant must exchange visits in the day-to-day performance of his particular business functions, its centrality and convenience to prospective customers and clients, and the "prestige" aspect of the address. Therefore, at the outset we must consider the suitability of the Government Center as an office location from the point of view of its acceptance by the Boston office space consumer.

As proposed, the Government Center will represent a consolidation (with provision for expansion) of existing office space now occupied by various branches of the Federal, State and City Governments at many different locations. Each of these offices is in some degree a generator of demand for nearby private commercial space. Consolidated, the attraction should be very great, especially in combination with the modern planning, parking accommodations, transit facilities, and inherent prestige that will accompany a Government Center address. In our minds there is no doubt concerning a ready acceptance of the Government Center location by Boston office space consumers.

The criteria of office building desirability have been standardized in the literature of such building management and in the experience of leasing. To a degree, these criteria have been altered by trends manifest in the post-war period in those limited areas wherein major office buildings have been erected. Our research has taken these new factors of desirability measurement into consideration.

Analyzing these standard criteria, then, in terms of the trends now prevailing, we list them and comment upon the situation that will prevail for office space when the subject site (the Government Center) has been developed as envisaged.

1. Appearance of Surroundings

At the present writing, the appearance of much of the property on the periphery of the subject site leaves much to be desired. However, the site itself is large enough so that when it is

Office Space Market Analysis - Government Center - Boston, Massachusetts

developed with a complex of new structures and with careful attention to architectural excellence and the development of on-site environmental assets, the atmosphere of the surroundings will enjoy a self-contained desirability. This has been proved successful in many instances (Radio City, United Nations, the Detroit Civic Center, and others). Moreover, there is little doubt in our opinion that upon completion of the Government Center, there will be almost immediate and certainly extensive renewal and improvement of adjoining properties. It is our opinion that the rating of office space within this project will score "excellent" on the basis of comparability as to location with any existing competitive space.

2. Transportation

With the John F. Fitzgerald Expressway skirting the area, with North Station and South Station only a few blocks distant, with the M.T.A. Rapid Transit lines going through the area, with the Sumner Tunnel to East Boston (soon to be enlarged by a second tube) being entered almost from the site, and with the Logan International Airport only ten minutes away, it must be concluded that by any standard the Government Center should be rated "excellent" with regard to transportation availability.

3. The Property as a Prestige Address

At one time in most major cities, certain streets and addresses thereon were stamped as prestige locations. Wall Street, LaSalle Street, Broad Street -- these were names which attracted prestige tenants and higher rentals. However, after the long drought of construction following the depression, newness, architectural excellence, and convenience took precedence in attracting the most desirable tenants. Most of the so-called prestige streets were lined with old, obsolete buildings. As new structures appeared at points of greater convenience and with modern comforts such as increased open spaces, better vertical transportation, improved lighting -- these buildings pulled the prestige tenants away from the prestige addresses to a point where the meaning of these old locations ceased to automatically communicate such prestige. Prudential Plaza in Chicago is now a case in point.

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4. Adjacency to Business Facilities

Historically, the density of commercial occupancy was caused by the desire of business to attain adjacency to such basic facilities as banks, courts, government buildings, and competitors. Originally, complications of transportation and communication underlay this desire.

Recent surveys made by our organization show that due to more reliance on communication media, such as telephones and mail service, there is a somewhat diminished desire and need for this adjacency. However, it is still a factor to be most seriously considered, and where two or more buildings offer tenants similar attractions in regard to newness and modernness of facilities, transportation convenience for employees, and rentals, there is no doubt but that the building affording an adjacency advantage to a particular class or group of tenants will experience a strong preferential demand from such a type of tenants. For example, since lawyers go to courts on fewer occasions than formerly, depositors visit banks less frequently, and more business is done by communication and less by conference, there is a willingness to desert older office space in congested downtown areas and accept new space more remotely located. However, where a new office building is built in a downtown area, often after the removal of an old building, thus achieving the adjacency feature of the old building and the attractive newness of modern design, such a building immediately commands the portion of the market consisting of those tenants to whom the particular adjacency appeals. Space in the Government Center would appeal particularly to lawyers, who would benefit by nearness to courts, public records, and banks; to accountants and consultants associated with government offices, banks, and attorneys; and to various other types of business that find it beneficial to be close to government records, banks, and large concentrations of law and accounting firms.

Although the factor of adjacency today means less in a gross office space market than it has in the past, it may be the decisive factor for many prospective tenants to whom the location would be prime, as in a Government Center, and the physical facilities would be equal to those being offered at less attractive locations.

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5. Physical Factors

Five physical criteria are usually considered in the appraisal of office space desirability. They are: building appearance, lobby, elevators, corridors, and office interiors. In each of these, such matters as design, modernity, lighting, air-conditioning, and convenience are given consideration.

Amenities, such as wash rooms, rest rooms for women, and other comforts are also scrutinized.

It is assumed that the development of office space in the Government Center area would only be with the newest, finest, best equipped, and most attractive buildings procurable -- certainly the equal in these respects to any existing in the Boston office space market.

6. Services and Management

The above comments on physical factors are equally true for these two important criteria of office space desirability from the tenants' point of view.

7. Building Tenancy

Even before the prestige of street address was eclipsed by more effective factors in today's market, the criterion of "building tenancy" (meaning the character, financial standing and reputation of the tenants), was a major consideration in determining office building desirability. In particular, the character of ground floor occupancy does much to enhance or detract from the stature of a building. Our comments on the foregoing criteria seem to make it a virtual certainty that the type of facility which we envisage for this area will attract tenants of quality which will satisfy the most discriminating.

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Inventory

A survey of land use, dated July 15, 1959, was prepared by staff planners of the City of Boston. This survey shows more than 23 million square feet of office space in the Central Business District -- extending from Massachusetts Avenue east approximately to the waterfront. The main concentration of this space is in the financial district, centered around Post Office Square. Forty per cent is located in this area. Prominent among users of this space are: banks, lawyers, investment brokers, property insurers, real estate brokers, and such firms.

A significant secondary center is located in Back Bay, where there are nearly six million square feet, centered between Boylston and Stuart Streets.

This survey was based on employment data; therefore, it includes office space in retail, manufacturing, institutional, and other establishments, as well as space in old residential structures, and thus includes a great deal of area not significant in the space market. In our survey we inspected more than 100 buildings, which we believe to include all the buildings in Boston that would be of any significance to an office space user considering Class "A" space in a new building. Of these buildings we have selected 65 as being the most attractive in the area and have analyzed them in some detail. The total rentable area of commercial office space in these buildings is approximately 5,300,000 square feet.

It should be emphasized that we have not included in this list or in the rentable area indicated that portion of each building that is owner-occupied and thus excluded from the office space market. For example, the new Blue Cross Building, owner-occupied, is not included in this list, while only 22,000 feet of the new Lincoln National Life Insurance wing are included. The balance is owner-occupied, and so regarded as single-purpose use.

In general, the newer buildings present features that outclass all the older buildings. Consequently, age is a governing factor in determining Class "A" from Class "B." Age is important in classifying as between "C" and "B" also, but since it can be seen that several of the "B" buildings are older than some of the "C" buildings, it is evident that good maintenance, a good location, and the evidence of some kind of modernization program weighs heavily in our judgment, as it does with the market. Our judgment as between "C" and "D" categories is basically the same except as to degree. We have not included "D" buildings in the following summary, as they are primarily

LIST OF LEADING OFFICE BUILDINGS
BOSTON, MASSACHUSETTS
1961

No.	Class	Address	Building Name	Year Built	Rentable Commercial Office Space	Estimated Space Rate Per Sq. Ft. Per Year	1960 Assessed Value		Ground Floor Tenancy
							Land	Improvements	
1.	C	470 Atlantic Ave.	Sheraton	1926	290,000	\$3.75-\$4.50	\$145,000	\$1,855,000	Restaurant, Retail
2.	B	11 Beacon St.	Lawyers	1923	104,400		268,300	731,700	Credit Bureau
3.	A	175 Berkeley St.	Liberty Mutual	1960	22,000	\$5.50-\$6.00	882,700	1,417,300	Insurance Company (Owner)
4.	A	180 Berkeley St.	John Hancock	1922, 1949	70,000	\$4.00-\$4.50, Tower \$5.00-\$6.50	2,558,400	19,341,600	Insurance Company (Owner)
5.	C	80 Boylston St.	Little	1918	116,500	\$3.60-\$5.00	1,060,000	490,000	Retail, Telegraph Office
6.	C	100 Boylston St.	Colonial	1905	100,000	\$4.00-\$4.60	934,300	65,700	Theatre, Retail
7.	C	120 Boylston St.	Walker	1902, 1910	79,645	\$3.25	709,000	149,000	Retail
8.	C	230 Boylston St.	Bradbury	1921	25,000		68,800	71,200	Retail
9.	C	248 Boylston St.	Garden	1912	20,547		179,100	170,900	Retail
10.	C	334 Boylston St.	Arlington	1904	35,000		437,800	262,200	None
11.	C	420 Boylston St.	Berkeley	1905	54,800		779,700	320,300	Retail
12.	C	452-462 Boylston St.	Stuart	1884	33,886		393,700	156,300	Retail
13.	A	520 Boylston St.	IBM	1958	70,000	\$5.50-\$6.00	385,300	714,700	IBM
14.	C	581 Boylston St.	Wesleyan	1914	20,141		96,700	160,300	Retail
15.	C	585 Boylston St.	Chauncy Hall	1920	11,735		121,000	64,000	Bank
16.	A	607 Boylston St.	McGraw-Hill	1960	35,000	\$6.00	157,000	110,000	Bank
17.	C	40 Broad St.	Insurance Exchange	1923	235,712		669,000	1,831,000	Insurance Companies

LIST OF LEADING OFFICE BUILDINGS
BOSTON, MASSACHUSETTS
1961
(Continued)

No.	Class	Address	Building Name	Year Built	Rentable Commercial Office Space	Estimated Space Rate Per Sq. Ft. Per Year	1960 Assessed Value		Ground Floor Tenancy
							Land	Improvements	
18.	C	40 Central St.	Marshall	1911	51,660		\$ -	\$ -	Manufacturing Company
19.	C	19 Congress St.	Congress-State	1903	26,357		96,000	109,000	Stock Broker
20.	B	50 Congress St.	State Mutual	1913	110,000	\$4.00	600,000	1,050,000	Stock Broker
21.	B	55 Congress St.	Shawmut Bank	1907, 1921	136,602	\$4.00-\$4.75	1,100,000	1,400,000	Bank
22.	C	230 Congress St.	Western Union	1930	59,200	\$3.75-\$4.00	209,300	890,700	Personal Service, Telegraph Office
23.	C	17 Court St.	V. A. Building	1900	61,000		363,000	636,700	V. A. Offices
24.	C	40 Court St.	U.S. Trust Co.	1914	63,693	\$4.25-\$4.75	218,900	781,100	Bank
25.	C	111 Devonshire St.	Minot	1912	36,688		245,500	304,500	Stock Broker
26.	C	185 Devonshire St.	Unity	1914	66,920		244,000	256,000	None
27.	C	201 Devonshire St.	Boston Safe Deposit	1900	29,979		720,000	530,000	Bank
28.	B	1 Federal St.	1st National Bank	1923	10,000	\$4.00	2,610,800	3,269,200	Bank
29.	C	50-60 Federal St.	Lee-Higginson	1917	51,190	\$3.00	241,300	308,700	Insurance Agents
30.	B	75 Federal St.	State Street Bank	1930	250,000	\$4.50-\$4.75, Tower \$5.00-\$5.25	1,260,000	2,465,000	Bank
31.	B	80 Federal St.	Chamber of Commerce	1923	205,000		1,500,000	2,000,000	Bank
32.	C	136 Federal St.	Federal Street	1900	26,400		125,000	175,000	Bank
33.	B	140 Federal St.	United Shoe	1930	283,843	\$4.50-\$6.00	925,000	3,175,000	Travel, Personal Service
34.	C	10 High St.	Rice	1917	91,918		260,000	615,000	Bank

LIST OF LEADING OFFICE BUILDINGS
BOSTON, MASSACHUSETTS
1961
(Continued)

No.	Class	Address	Building Name	Year Built	Rentable Commercial Office Space	Estimated Space Rate Per Sq. Ft. Per Year	1960 Assessed Value		Ground Floor Tenancy
							Land	Improvements	
35.	A	125 High St.	Travelers Insurance	1959	225,000	\$6.00-\$6.50	\$ 423,800	\$2,612,800	Stock Broker, Cafeteria,
36.	C	24 Milk St.	Penn Mutual	1904	9,047		170,400	284,600	Bank
37.	C	31 Milk St.		1923	69,875		568,900	431,000	Bank
38.	B	45 Milk St.	Milk Street Building	1908	21,094		496,400	103,600	Bank
39.	C	79 Milk St.		1907	38,690		377,000	223,000	Retail
40.	C	137 Newbury St.		1927	38,000	\$4.00	64,300	367,700	Retail, Drugs
41.	C	11 Pemberton Sq.		1900	37,000		207,700	264,500	Real Estate Firm
42.	C	20 Pemberton Sq.	Pemberton	1901	27,000		149,600	146,000	Insurance Company
43.	B	10 Post Office Sq.	Mass. Bonding	1923	130,000		608,700	1,291,300	Insurance Company
44.	B	20 Providence St.	Statler Office	1927	185,500	\$4.85	1,766,600	5,433,400	Bank, Travel Offices
45.	C	18-30 School St.	Boston 5¢ Bank	1926	41,650		463,600	676,400	Bank
46.	C	44 School St.	Parker House	1924	40,800	\$4.00	296,500	353,500	Auto Association
47.	C	31 St. James Ave.	Park Square	1923	340,000	\$3.25-\$4.00 plus A/C	1,136,000	3,464,000	Retail, Theatre
48.	C	30 State St.	Merchants Bank	1912	38,559		540,300	1,419,700	Bank
49.	C	31 State St.		1900	20,000		65,500	99,500	Stock Broker
50.	C	50 State St.	Mass. Hospital L.I.	1926	65,000		217,600	182,400	Bank
51.	C	53 State St.	Exchange	1889	200,000	\$4.00	996,700	903,300	Bank, Stock Exchange

LIST OF LEADING OFFICE BUILDINGS
BOSTON, MASSACHUSETTS
1961
(Continued)

No.	Class	Address	Building Name	Year Built	Rentable Commercial Office Space	Estimated Space Rate Per Sq. Ft. Per Year	1960 Assessed Value		Ground Floor Tenancy
							Land	Improvements	
52.	C	60 State St.		1895	67,964		\$ 271,500	\$ 478,500	Stock Broker
53.	C	378 Stuart St.	Pet.-Andrews	1924	13,000		210,000	790,000	Insurance Company
54.	C	441 Stuart St.	N.E. Power Co.	1937	92,000		340,700	1,159,300	Power Company (Owner)
55.	C	73 Tremont St.	Tremont	1896	128,387	\$3.93	1,100,000	646,300	Bank, Retail, Restaurant
56.	C	101 Tremont St.	Paddock	1901	40,010		295,000	205,000	Restaurant, Retail
57.	C	110 Tremont St.	New Studio	1911	56,000	\$3.50-\$4.00	455,000	345,000	Retail
58.	C	254-272 Tremont St.	Metropolitan	1900	97,395		920,000	680,000	Theatre, Restaurant, Retail
59.	C	199 Washington St.	Sears	1890	48,930		276,400	361,600	Bank
60.	C	294 Washington St.	Old South	1903	154,868	\$3.40	968,000	632,000	Bank
61.	A	480 Boylston St.	White Fund	1957	34,000	\$5.50	231,200	568,800	Retail
62.	A	631 Commonwealth Ave.	Remington Rand	1960	36,000		64,600	485,000	Remington Rand
63.	C	38 Chauncy St.	-	1924	90,209		356,000	569,000	Retail
64.	C	17 Court Square	City Club	1906	61,000		110,300	289,700	Restaurant
65.	B	38 Newbury St.	-	1928	25,600		133,100	276,900	Retail

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more obsolete and smaller buildings commanding lower rentals or for some other reason are regarded as providing little competitive attraction to potential users of new Government Center buildings.

Travelers Building

Construction began on this building in 1959. In 1960 it was completed and occupied. We have been informed that the leasing program (225,000 square feet) was completed before construction was completed, so that the building was fully occupied as soon as the space was ready for occupancy. An occupancy survey of this building shows the following:

	Number	Per Cent of Total Occupancy
Lawyers	3	6.1
Accountants	3	6.1
Insurance Companies	8	16.3
Investment Brokers	8	16.3
Banks	1	2.0
Real Estate Firms	2	4.1
Miscellaneous	24	49.0
	<u>49</u>	<u>99.9</u>

"Miscellaneous" includes: Chamber of Commerce, several steamship lines, several consulting engineers, and manufacturers representatives in building supplies.

The ground floor is divided between a cafeteria, and an investment broker; a branch bank is on the second floor.

It must be remembered that the attraction of the Travelers Building differs somewhat from that of a building in the Government Center due to location. It is on the opposite side of the financial center from the principal government buildings, and thus would not exert as strong an attraction on prospective lawyer or accountant tenants as would a Government Center location. It appears, however, that a good market was found as there was no difficulty in leasing.

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Tax Implications

No consideration of the market for office building space in Boston is complete without taking into account the impact of the tax and assessment practice, which is unusual in Boston.

For a number of years the property tax situation in Boston was such as to remove all incentive to investment in new office buildings. It could be amply demonstrated that the income from a new building could not support the construction cost, due to the incidence of a 50 per cent obsolescence factor existing as soon as the building was completed. This resulted from the economic rent ceiling imposed by the market, the high building costs, and the fact that the tax levy was double that of other cities. The Boston tax rate in 1960 was \$100.70 per \$1,000.00 of assessed valuation, a decline of 50 cents from 1959 -- the first such decline since 1954. This decline was due to an increase in the valuation base, which resulted from the application of new standards, as well as in new construction which more than offset declining valuations on older properties.

Commercial properties in Boston are assessed at approximately 100 per cent of fair market value. In Boston there is no sales, local income, or wage tax, and the major burden of taxation is borne by real property, much of which is over 100 years old, so that obsolescence is extremely great. Under these circumstances, with assessments so high and with the problem of equitable assessment of such diverse properties so great, assessment is a major factor affecting value.

Faced with a stagnation of values due to inability to interest investors in undertaking new buildings in the face of such a tax practice, government authorities have developed a vehicle to overcome this problem. It is known as the Massachusetts Urban Redevelopment Law. Its pattern is similar to the tax modification arrangements worked out with Prudential and other developers.

For a corporation to qualify for certification and the benefits provided by the terms of this law, it must receive the approval of the Mayor and the State Housing Board or, in the case of Boston properties, the Mayor and the Boston Redevelopment Authority. The principal provisions are:

1. The right of eminent domain.
2. A limitation of the return to six per cent of cash or recognized services.

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3. A 40 year tax rate guarantee under which the tax may be computed as:
 - a) Five per cent of gross income plus \$10 per each \$1,000 of assessed valuation, plus
 - b) Such sum in excess as may be agreed to by contract.

This law, which originally provided only for the new construction of housing units, was amended in September 1960 to add 3b above plus broadening the scope of its provisions to extend to commercial and industrial redevelopment. There also were added some additional refinements, such as the specification of conditions under which variations may be obtained from archaic building and zoning codes, if (in Boston) approved by the Mayor and Redevelopment Authority. These also specifically permit certain institutions, such as banks, insurance companies, and so forth to re-develop under this act.

This would seem to remove the principal obstacles to downtown redevelopment by restoring an incentive to private investment. However, it must be expected that since there is no significant number of new tenants flowing into Boston, occupants of new buildings will come mainly from older buildings, the older buildings will have to fill such vacancies with tenants from inferior space and so on down the line until vacancies show up, normally in the most inferior buildings. Sooner or later, these vacancies will be so great that the poorest buildings will be forced out of the market and may be more economically converted to parking lots.

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VII. ANALYSIS OF DEMAND

At the present time the demand for office space in Boston appears to be reasonably strong. Although vacancies are increasing in the broad supply of office space, occupancy, with a few exceptions, is holding up well in the more competitive buildings. Building managers report good activity and a strong demand for new or remodeled space.

Office building vacancy is always very difficult to establish. Managers will rarely provide accurate data in this regard. The Building Owners and Managers Association, affiliated with the Greater Boston Real Estate Board, makes a semi-annual vacancy survey. According to the most recent survey (May 1961), a vacancy of about five per cent is indicated. Although a copy of this survey report is appended to this report, we are unable to place reliance on it, as it obviously represents only a portion of the area's office buildings, probably the portion with lowest vacancy, but does not indicate what portion it is.

It is, however, our opinion that the vacancy is increasing. We believe that the vacancy in the better buildings at this time is probably not more than about five or six per cent, while in the inferior buildings it may be as high as ten or twelve per cent. Reasons for the vacancy are primarily that since October 1958:

1. Over 750,000 square feet of new office space have been added to the supply:

	<u>Square Feet</u>
Travelers Building	225,000
Blue Cross-Blue Shield Building	125,000
Liberty Mutual (new wing)	225,000
IBM Building	70,000
McGraw-Hill Building	38,000
Remington Rand Building	36,000
White Fund Building	34,000

2. Some decentralization to suburban areas has occurred.
3. Little, if any, movement of new firms into Downtown Boston has been experienced.

As the result, the added space made available because of additions to the supply and move-outs exceeds the absorption capacity resulting from expansion of existing tenants' space needs, and vacancies must inevitably occur.

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Characteristics Of Demand At Government Center

As the name implies, a purpose of developing the Government Center would be the consolidation of most office facilities of Federal, State and City operations located in Downtown Boston in a single complex of modern buildings. Such a consolidation would have a strong attraction to the market for new office space, particularly among businesses frequently involved with government offices. This primarily means attorneys.

Close to the proposed Government Center is the financial center of the area. This is extremely strong since Boston is a major financial center of the nation. Such a complex also is a strong attraction to office space users.

Basically then, that part of Downtown Boston that is near the Government Center will be firmly anchored by both government and financial offices. These anchors will also tend to give stability to the retail area, now centered at the corner of Winter (Summer) and Washington Streets, which otherwise might tend to move, seeking the highest concentration of buying power, represented in part by office employees. This area also is a generator of demand for office space both from firms dealing with retail stores and those who feel it helps attract employees to be located close to a shopping center.

A further generator in the office space market is the complex of offices which themselves are attracted to and held in the area by the primary generators mentioned above.

We conducted an occupational survey of the offices located inside the proposed limits of the Government Center area to determine:

1. The types of businesses already attracted by the government offices and financial institutions in the area.
2. The types of offices that would be looking for new space as the result of any decisions to clear existing office buildings located within the area.

Office Space Market Analysis - Government Center - Boston, Massachusetts

Since this survey was restricted to buildings now within the limits, or on the immediate periphery of the Government Center, it includes a large proportion of very inferior space and some old, fairly good, but obsolete, space, and no modern space.

	<u>Number</u>	<u>Per Cent of Total Number</u>
Lawyers	1,599	55.5
Physicians	13	.5
Dentists	3	.1
Accountants	206	7.1
Insurance Agents	142	4.9
Investment Brokers	115	4.0
Banks	11	.4
Finance Companies	38	1.3
Real Estate Brokers	158	5.5
Miscellaneous	597	20.7
	<u>2,882</u>	<u>100.0</u>

It will be noted that a large number of attorneys now office in this area and that, exclusive of "miscellaneous", accountants are the second largest group in number. It is believed that this pattern in varying degree would hold true in extending the survey outside the limits of the Government Center but remaining in the neighborhood and within the area of attraction of the government and financial centers. Thus, we would conclude that at least 50 to 60 per cent of the new tenants to be anticipated in office buildings built in the Government Center would be attorneys. The balance would be various with accounting firms strongly represented.

Absorption

The absorption rate when referred to in connection with this report means that rate at which a new supply of space is occupied or "absorbed" by the market with little or no increase in vacancies. Many factors influence absorption, but the best indication that can be had is to compare the estimated increase in vacancies over a certain period of time with the additions to the supply over the same period -- the amount by which the additions to the supply exceed

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the increase in vacancies can be regarded as an indication of the absorptive potential of the market.

Since 1957, about 750,000 square feet have been added to the supply in Boston. It is estimated that during this three year period vacancies in the leading buildings have increased by about 250,000 square feet. This would indicate an absorption capacity of 500,000 square feet in three years, or about 170,000 square feet a year. In our judgment, this is a little high when taken over several years, but may be realized in any given year or two. It must be emphasized that this indicated absorption rate of 170,000 square feet a year is based on the reaction of a market to virtually its first new space in thirty years. In other words this represents absorption of a back-log of demand. We therefore believe that an annual absorption rate of 125,000 square feet a year or less will prove more realistic.

Attraction to the Government Center

The terms "capturable" or "marketable" in the Government Center area are used in this report to indicate that portion of the demand for Downtown Boston office space which can be induced to satisfaction through the rental of new office space in the Government Center area.

A certain portion of the absorptive capacity of the Downtown area is considered to be capturable at the Government Center. Since this absorptive potential refers mainly to the capacity of the Downtown area to meet the expansion requirements of existing office space users, the conclusion is that almost 40 per cent of the area-wide need for expansion space could be attracted to the Government Center.

There is, of course, another major source of tenants for new office space in the Government Center, and that concerns existing space users in the Downtown area who, usually on approaching a lease termination date, consider that they desire and can afford new and better space. In view of the tax concession precedents which result in rental price differentials between old and new buildings being somewhat less than would otherwise be the case, this demand, once the traditional reserve has been overcome, will, we believe, prove strong in Boston. The much greater desirability of new buildings will soon become evident, and the price differential will not be a substantial obstacle in satisfying the desire for better space. In this regard the Government Center should be able to attract at least half of such space users, since the majority of new space in the area will be in the Government Center.

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Conclusion

We have shown it to be probable that before any office building erected in the Government Center area can be completed, the Boston Office space market will have felt a terrific impact of 600,000 square feet of new space in the Prudential Center, over a million feet of vacancies left by moving government offices, and perhaps 200,000 square feet or more of other new space or move-out vacancies. However, we feel that the primary market for Government Center space lies with firms and individuals who prefer to locate near the north end of the Downtown area, and who would not be attracted to Back Bay if they knew that new space in the Government Center would soon be available. Therefore, we do not believe that the Prudential and other Back Bay buildings will have as strong an impact on the Government Center as might be casually supposed.

The greatest demand for Government Center space will come from attorneys, who desire to locate in close proximity to courts, banks, and public records. Accountants, real estate offices, consultants, trade association offices, shipping and travel offices, and the like, will absorb the balance. We believe that a building of 400,000 to 425,000 square feet in the Government Center would be leased out with no unusual delays. However, after the first building of this size has accommodated those tenants with a particular desire and ability to pay for new office space in the Government Center, the marketing of further office space would be slowed down by the intense competition that would result from the increasing vacancies which would by then be developing in the Boston space market.

78TH SEMI-ANNUAL BUILDING VACANCY SURVEY
BOSTON, MASSACHUSETTS -- MAY 1, 1961
COMPARATIVE STATISTICS

<u>Date of Survey</u>	<u>Number Buildings Reported</u>	<u>Total Sq. Ft. Rentable Area*</u>	<u>Average Rentable Area Per Building</u>	<u>Square Feet Vacant</u>	<u>Per Cent of Vacancy</u>	<u>Per Cent of Federal Gov't Occupancy</u>	<u>Per Cent of State and Municipal Gov't Occupancy</u>
May 1961	53	2,608,109	49,210	121,323	4.65		
October 1960	63	3,551,836	56,378	286,421	8.06	1.86	2.32
May 1960	62	2,887,579	46,574	172,619	5.98	1.42	1.78
October 1959	48	2,227,979	46,416	129,105	5.79	1.90	1.50
May 1959	55	2,905,963	52,836	142,638	4.91		
October 1958	121	6,309,590	52,145	221,918	3.52	2.83	1.83
May 1958	120	6,259,783	52,165	184,038	2.94	2.94	1.88
October 1957	122	6,307,495	51,701	170,289	2.70	3.17	1.81
May 1957	123	6,346,063	51,594	216,985	3.42	3.21	1.95
October 1956	120	6,314,664	52,622	223,921	3.55	1.74	1.96
May 1956	117	6,019,361	51,448	206,322	3.43	2.06	1.47
October 1955	122	6,366,690	52,186	287,624	4.52	1.38	.93
May 1955	142	6,557,921	46,183	324,437	4.95	1.39	1.67
October 1954	145	6,806,923	46,944	362,581	5.33	1.74	2.31
May 1954	150	6,966,679	46,445	299,357	4.30	2.26	2.46
October 1953	155	6,844,658	44,159	263,309	3.85	2.49	1.79
May 1953	157	6,677,027	42,529	249,945	3.74	2.08	1.88
October 1952	163	6,729,685	41,286	250,374	3.72	2.87	1.82
May 1952	166	6,819,754	41,083	248,228	3.64	2.90	1.64
May 1951	153	6,454,898	42,189	309,139	4.79	1.80	.38
May 1950	151	6,353,917	42,079	297,744	4.69	1.80	
May 1949	149	6,236,425	41,855	266,690	4.28	2.22	
May 1944	150	6,792,611	45,284	1,047,458	15.42	9.41	
May 1939	98	4,713,563	48,098	1,171,043	24.84		
May 1934	123	6,564,090	53,367	1,904,093	29.00		

* "Total Rentable Area" does not include basement space, first-floor store, bank area, or owner-occupied space that is not for rent.

Source: Building Owners and Managers Association, Boston, Massachusetts

Gov't. Center
Real Estate Research Corp.
Office space market analysis

DATE

CHICAGO

73 W. Monroe St. (zone 3)

CEntral 6-3525

6111 MEA

WASHINGTON, D. C.

1120 Connecticut Ave. N.W. (zone 6)

FEderal 8-6183

DALLAS

Fidelity Union Tower

1507 Pacific Avenue (zone 1)

RIverside 8-7018

MINNEAPOLIS-ST. PAUL

275 E. 4th St. (St. Paul 1)

CApital 4-5351

LOS ANGELES

Stock Exchange Bldg.

618 S. Spring St. (zone 14)

MAdison 7-6785

SAN FRANCISCO

315 Montgomery St. (zone 4)

YUkon 1-5930

